

Message Text

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C O R R E C T E D C O P Y R E F N B R

FOR ASST SECY SCHAUFEL

EO 11652: XGDS-1

TAGS: PFOR ZA AO US

SUBJECT: MESSAGE TO KAUNDA AND ASSISTANCE TO ZAMBIA

REF: STATE 38733G

1. FORTY EIGHT HOURS HAVE PASSED SINCE I PUT IN MY BID TO CHONA FOR APPOINTMENT WITH KAUNDA TO DELIVER MESSAGE IN REFTEL BUT THIS HAS BEEN INORDINATELY BUSY PERIOD FOR BOTH WITH A SERIES OF INCOMING AND OUTGOING AMBASSADORS, SAVIMBI'S VISIT, AND KAUNDA'S MAJOR PRESS CONFERENCE THIS MORNING. IT IS POSSIBLE I MAY BE SUMMONED TO STATE HOUSE OVER WEEKEND. MEANWHILE, AS IS CUSTOMARY AS WELL AS REQUESTED IN THIS INSTANCE, I PROVIDED CHONA WITH GIST OF MAIN THRUST OF MESSAGE SO THAT KAUNDA WILL BE PREPARED TO GIVE PRECISE RESPONSE WHENEVER WE DO MEET. SOME ANSWERS, E.G., ON RELATIONS WITH MPLA AND UNITA, HAVE ALREADY BEEN GIVEN PUBLICLY (SEPTELS).

2. WHEN I DO SEE KAUNDA MAY I GIVE HIM INDICATION IN MOST GENERAL TERMS OF RESPONSE RECEIVED THUS FAR FROM OUR ALLIES IN EEC? WILL I BE AUTHORIZED, FOLLOWING MY MEETING WITH KAUNDA, TO APPROACH MY DIPLOMATIC COLLEAGUES HERE FROM EEC COUNTRIES, PLUS JAPANESE

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AND CANADIANS, AND BEGIN COORDINATE WITH THEM? BELIEVE

IT IMPORTANT THAT WE ALL SEND BACK TO HEADQUARTERS
CONSISTENT STORY ON ZAMBIA'S ACTUAL ECONOMIC SITUATION
AND NEEDS, ASSUMING WE CAN ASSEMBLE NEEDED DATA.

3. AM TROUBLED THAT GRZ, WHICH SO ACCUSTOMED TO RELYING
ON TECHNICAL EXPERTISE OF IMF, IBRD AND UNDP TO ARTICULATE
ITS ECONOMIC ASSISTANCE NEEDS, MAY FLOUNDER AT SUGGESTION
THEY ASSUME FULL RESPONSIBILITY FOR COORDINATING DONOR
ACTIVITIES. IT WILL BE RECALLED THAT UN SYG APPOINTED
SIR ROBERT JACKSON BOLSTERED BY UN TEAM TO DO THIS FOR
ZAMBIA DURING TRANSPORT EMERGENCY IN EARLY 1973. (WE
UNDERSTAND JACKSON HAS JUST SENT OUT FEELERS TO UNDP RESREP
HERE ON HOW UN MIGHT HELP. THIS SEEMS IRONIC IN VIEW OF
UNDP FINANCIAL PROBLEMS.) WITH ALL DUE RESPECT TO JACKSON
FOR HIS NOBLE COORDINATING EFFORTS IN PAST AND SAVOIR FAIRE
WITH AFRICANS, WE ARE NOT SUGGESTING HIM NOW AS A CENTRAL
FOCUS, BUT DO BELIEVE SOME PROMINENT WESTERN FIGURE,
SUPPORTED BY UNDP OR OTHER INTERNATIONAL TEAM, POSSIBLY
MIXED, MAY BE NEEDED TO EFFECTIVELY BRING COORDINATION
TASK OFF WITHIN LIMITED TIME AVAILABLE AND GIVEN MAGNITUDE
OF ZAMBIAN NEEDS.

4. HAS DEPT GIVEN ANY THOUGHT TO THIS CONTINGENCY?
COULD OECD AND/OR EEC BE APPROACHED ON MATTER?
BECAUSE OF PROBLEMS WHICH ZAMBIA HAS BEEN HAVING WITH
IMF AND IBRD WE DO NOT SUGGEST THEM FOR A LEADERSHIP
ROLE, ALTHOUGH OF COURSE THEY MIGHT FIGURE PROMINENTLY
AS PARTICIPANTS.

5. LOCAL BANKING SOURCE TELLS ME ZAMBIA HAS AN
IMMEDIATE CASH NEED OF \$250 MILLION TO COVER OVERDRAFTS
AGAINST LETTERS OF CREDIT FOR IMPORTS LANDED, SOLD, EN
ROUTE AS ORDERED. CONCEIVABLY THE MOST LOGICAL SOURCE
OF FINANCING FOR THIS IMMEDIATE NEED WOULD BE A SYNDICATED
COMMERCIAL BANK LOAN OF MEDIUM TERM DURATION (3-5 YEARS)
WITH 18-24 MONTH MORATORIUM ON REPAYMENT. SUCH A LOAN
WOULD PROBABLY REQUIRE GUARANTEE OF GRZ. COMMERCIAL
BANKING SOURCES TELL US ZAMBIA IS AT END OF ITS ROPE WITH
THEIR PRINCIPALS IN LONDON AND NEW YORK AFTER A SERIES OF
90-DAY LOANS WHICH SIMPLY CANNOT BE ROLLED OVER ANY LONGER

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AND WHICH ZAMBIA CANNOT PAY.

6. HAS DEPT TAKEN ZAMBIA'S IMMEDIATE FINANCING NEEDS INTO
CONSIDERATION AND HAVE ANY DISCUSSIONS BEEN HELD WITH
COMMERCIAL BANKS IN NEW YORK? UNDERSTAND KUWANI DISAPPOINTED
WITH RESULTS THERE AND IS NOW GOING FROM WEST GERMANY TO
JAPAN SEEKING HELP.

7. UNTIL NOW AND TIME COPPER PRICES IMPROVE, ZAMBIA HAS
ADDITIONAL FOREIGN EXCHANGE NEED FOR \$500 MILLION WHICH
APPARENTLY WOULD BE TARGET OF COORDINATED ASSISTANCE
BEING SOUGHT AMONG FRIENDLY COUNTRIES IN WEST.
WILKOWSKI

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